

**TOWN OF WELSH, LOUISIANA
ANNUAL FINANCIAL REPORT
MAY 31, 2012**

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and where appropriate at the office of the parish clerk of court.

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TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT
Year Ended May 31, 2012

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TOWN OF WELSH, LOUISIANA

May 31, 2012

MAYOR

The Honorable Carolyn Louviere

BOARD of ALDERMAN

Mr Allen Ardoin
Mr. Charles Drake
Ms Becky Hudson

Ms Sherrie Lewis
Mrs Gloria Viney

LEGAL COUNSEL

Mr. Richard M Arceneaux

TOWN CLERK

Ms Linda LeBlanc

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McELROY, QUIRK & BURCH

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09418 000 Town of Welsh Audit 5/31/2012 financial report

Robert M. Gani, CPA, MT
Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA
David M. DesOrmeaux, CPA

Michael N. McGee, CPA
Paula J. Thompson, CPA
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired
Marvin L. Chelotsky, CPA, CFE, CFP™
Carl W. Comeaux, CPA, Retired

CFE - Certified Fraud Examiner
CFF - Certified Financial Forensics
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor and Board of Alderman
Town of Welsh
Welsh, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana as of and for the year ended May 31, 2012, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana as of May 31, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund and major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 27, 2012, on our consideration of the Town of Welsh's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town of Welsh, Louisiana has omitted management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical content. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Welsh's basic financial statements. The introductory section combining nonmajor fund financial statements and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms. Eray Quirk & Burch
Lake Charles, Louisiana
November 27, 2012

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
May 31, 2012

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 713,483	\$ 119,888	\$ 833,371
Investments	312,504	44,414	356,918
Receivables (net, where applicable, of allowance for uncollectibles).			
Accounts	83,816	282,443	366,259
Unbilled accounts	-	81,100	81,100
Accrued interest	-	2,284	2,284
Taxes	2,034	-	2,034
Inventory	-	181,303	181,303
Prepaid expenses	-	2,409	2,409
Internal balances	1,685,478	(1,685,478)	-
Other current assets	-	637	637
Restricted assets:			
Cash and cash equivalents	-	207,886	207,886
Investments	689,067	419,078	1,108,145
Capital assets			
Land improvements and construction in progress	85,110	226,519	311,629
Buildings, furniture and equipment, net of depreciation	1,627,150	6,206,743	7,833,893
Total assets	<u>5,198,642</u>	<u>6,089,226</u>	<u>11,287,868</u>
 <u>LIABILITIES</u>			
Accounts payable	71,830	321,994	393,824
Accrued liabilities	21,094	27,098	48,192
Cash overdraft	739	-	739
Noncurrent liabilities			
Due within one year	19,475	186,000	205,475
Due in more than one year	-	700,000	700,000
Payable from restricted assets	-	65,410	65,410
Total liabilities	<u>113,138</u>	<u>1,300,502</u>	<u>1,413,640</u>

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TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
May 31, 2012

<u>NET ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Investment in capital assets, net of related debt	1,692,785	5,547,262	7,240,047
Restricted for:			
Various purposes-sales tax	1,093,855	-	1,093,855
Capital project	221	-	221
Unrestricted	<u>2,298,643</u>	<u>(758,538)</u>	<u>1,540,105</u>
Total net assets	<u>\$ 5,085,504</u>	<u>\$ 4,788,724</u>	<u>\$ 9,874,228</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
Year Ended May 31, 2012

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Government activities				
General government	\$ 444,736	\$ 173,624	\$ -	\$ -
Public safety	965,429	247,496	98,997	-
Highway and street	233,606	-	-	-
Sanitation	143,053	438,110	-	-
Culture and recreation	130,518	26,133	-	-
Total governmental activities	<u>1,917,342</u>	<u>885,363</u>	<u>98,997</u>	<u>-</u>
Business-type activities				
Water utility	319,142	329,268	-	-
Sewer utility	335,919	277,481	-	-
Electric utility	2,928,227	2,936,339	22,308	-
Total business-type activities	<u>3,583,288</u>	<u>3,543,088</u>	<u>22,308</u>	<u>-</u>
Total government	<u>\$ 5,500,630</u>	<u>\$ 4,428,451</u>	<u>\$ 121,305</u>	<u>\$ -</u>

General revenues

Ad valorem taxes
Sales taxes
Franchise taxes
Gaming taxes
Other taxes
Interest earned
Miscellaneous

Transfers

Total general revenues
and transfers

Change in net assets

Net assets at beginning of year

Net assets at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (271,112)	\$ -	\$ (271,112)
(618,936)	-	(618,936)
(233,606)	-	(233,606)
295,057	-	295,057
<u>(104,385)</u>	<u>-</u>	<u>(104,385)</u>
<u>(932,982)</u>	<u>-</u>	<u>(932,982)</u>
-	10,126	10,126
-	(58,438)	(58,438)
<u>-</u>	<u>30,420</u>	<u>30,420</u>
-	(17,892)	(17,892)
<u>(932,982)</u>	<u>(17,892)</u>	<u>(950,874)</u>
89,895	-	89,895
759,466	-	759,466
34,004	-	34,004
18,372	-	18,372
13,641	-	13,641
4,506	5,196	9,702
19,148	27,933	47,081
<u>939,032</u>	<u>33,129</u>	<u>972,161</u>
6,050	15,237	21,287
<u>5,079,454</u>	<u>4,773,487</u>	<u>9,852,941</u>
<u>\$ 5,085,504</u>	<u>\$ 4,788,724</u>	<u>\$ 9,874,228</u>

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FUND FINANCIAL STATEMENTS

TOWN OF WELSH, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS

May 31, 2012

<u>ASSETS</u>	<u>General</u>	<u>Debt Service Sales Tax 1996</u>	<u>Special Revenue Sales Tax 1996</u>
Cash	\$ 56,107	\$ -	\$ 621,965
Investments	121,682	-	190,822
Receivables			
Taxes	2,034	-	-
Accounts	83,815	-	-
Due from other funds	1,706,784	-	267,708
Restricted assets			
Investments	<u>689,067</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,659,489</u>	<u>\$ -</u>	<u>\$ 1,080,495</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Cash overdraft	\$ -	\$ -	\$ -
Accounts payable	71,830	-	-
Accrued liabilities	20,366	-	728
Due to other funds	<u>267,912</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>360,108</u>	<u>-</u>	<u>728</u>
Fund balances			
Restricted for			
Debt service	617,909	-	-
Special revenue	-	-	1,079,767
Capital projects	71,158	-	-
Unassigned	<u>1,610,314</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>2,299,381</u>	<u>-</u>	<u>1,079,767</u>
Total liabilities and fund balances	<u>\$ 2,659,489</u>	<u>\$ -</u>	<u>\$ 1,080,495</u>

Amounts reported for governmental activities in the statement
of net assets are different because

Total fund balance - total governmental funds

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the funds

Long-term liabilities, including bonds payable, are not due and
payable in the current period and, therefore, are not reported
in the funds

See accompanying notes to financial statements

Non-Major Governmental Funds	Total Governmental Funds
\$ 35,411	\$ 713,483
-	312,504
-	2,034
-	83,815
88	1,974,580
-	<u>689,067</u>
<u>\$ 35,499</u>	<u>\$ 3,775,483</u>

\$ 739	\$ 739
-	71,830
-	21,094
<u>21,190</u>	<u>289,102</u>
<u>21,929</u>	<u>382,765</u>

-	1,350,403
14,088	361,361
221	71,379
<u>(739)</u>	<u>1,609,575</u>
<u>13,570</u>	<u>3,392,718</u>
<u>\$ 35,499</u>	<u>\$ 3,775,483</u>

\$ 3,392,718

1,712,261

(19,475)

\$ 5,085,504

TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended May 31, 2012

	General	Debt Service Sales Tax 1996	Special Revenue Sales Tax 1996
Revenues			
Taxes	\$ 517,273	\$ -	\$ 379,733
Licenses and permits	142,867	-	-
Intergovernmental	11,065	-	-
Charges for services	444,196	-	-
Fines and forfeits	186,207	-	-
Interest income	2,508	-	1,972
Vending machine commission	18,372	-	-
Jeff Davis Sanitary Landfill	123,034	-	-
Grants	98,997	-	-
Miscellaneous	8,083	-	-
Total revenues	<u>1,552,602</u>	<u>-</u>	<u>381,705</u>
Expenditures			
Current			
General government	348,960	-	-
Police	790,724	-	-
Fire	99,327	-	-
Street	48,011	-	-
Sanitation	111,382	-	-
Recreation	121,779	-	-
Cemeteries	11,430	-	-
Airport	2,630	-	-
Health and welfare	4,975	-	-
Paving/streets	-	-	165,451
Economic development	34,343	-	-
Capital outlay	45,300	-	17,511
Debt service			
Bond principal	50,325	-	-
Bond interest	3,321	-	-
Total expenditures	<u>1,672,507</u>	<u>-</u>	<u>182,962</u>
Excess (deficiency) of revenues over expenditures	<u>(119,905)</u>	<u>-</u>	<u>198,743</u>

Non-Major Governmental Funds	Total Governmental Funds
\$ -	\$ 897,006
-	142,867
-	11,065
-	444,196
-	186,207
26	4,506
-	18,372
-	123,034
-	98,997
-	8,083
<u>26</u>	<u>1,934,333</u>

5,567	354,527
-	790,724
-	99,327
-	48,011
-	111,382
-	121,779
-	11,430
-	2,630
-	4,975
-	165,451
-	34,343
34,280	97,091
-	50,325
-	3,321
<u>39,847</u>	<u>1,895,316</u>
<u>(39,821)</u>	<u>39,017</u>

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TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

Year Ended May 31, 2012

(Continued)

	<u>General</u>	<u>Debt Service Sales Tax 1996</u>	<u>Special Revenue Sales Tax 1996</u>
Other financing sources (uses)			
Operating transfers in	-	-	541,954
Operating transfers out	-	(541,954)	-
Total other financing sources (uses)	-	(541,954)	541,954
Excess (deficiency) of revenues and other sources over expenditures and other uses	(119,905)	(541,954)	740,697
Fund balance at beginning of year	<u>2,419,286</u>	<u>541,954</u>	<u>339,070</u>
Fund balance at end of year	<u>\$ 2,299,381</u>	<u>\$ -</u>	<u>\$ 1,079,767</u>

See accompanying notes to financial statements

<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
-	541,954
-	(541,954)
-	-
(39,821)	39,017
<u>53,391</u>	<u>3,353,701</u>
<u>\$ 13,570</u>	<u>\$ 3,392,718</u>

TOWN OF WELSH, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended May 31, 2012

Amounts reported for governmental activities in the
statement of activities different because

Net change in fund balance - total governmental funds	\$ 39,017
Governmental funds report capital outlays as expenditures However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period	(83,292)
Principal payments of long-term debt, net current year Capital lease acquisitions	<u>50,325</u>
Change in net assets of governmental activities	<u>\$ 6,050</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended May 31, 2012

	Budgeted Amounts			Variance With
	Original	Final	Actual	Final Budget Positive (Unfavorable)
Revenues				
Taxes	\$ 477,500	\$ 486,721	\$ 517,273	\$ 30,552
Licenses and permits	152,000	127,033	142,867	15,834
Intergovernmental	189,000	157,955	11,065	(146,890)
Charges for services	573,800	479,549	444,196	(35,353)
Fines and forfeits	294,500	246,126	186,207	(59,919)
Interest income	-	-	2,508	2,508
Vending machine income	-	-	18,372	18,372
Grants	-	-	98,997	98,997
Use of money/property	28,000	23,401	-	(23,401)
Landfill	-	-	123,034	123,034
Miscellaneous	6,000	5,015	8,083	3,068
Total revenues	<u>1,720,800</u>	<u>1,525,800</u>	<u>1,552,602</u>	<u>26,802</u>
Expenditures				
Current				
General government	575,814	457,290	348,960	108,330
Police	858,950	679,655	790,724	(111,069)
Fire	134,655	106,548	99,327	7,221
Street	104,150	82,410	48,011	34,399
Sanitation	202,008	159,842	111,382	48,460
Recreation	145,689	115,278	121,779	(6,501)
Cemeteries	12,450	9,851	11,430	(1,579)
Airport	12,350	9,772	2,630	7,142
Health and welfare	5,600	4,431	4,975	(544)
Economic development	64,250	50,839	34,343	16,496
Capital outlay	-	-	45,300	(45,300)
Principal retirement	-	-	50,325	(50,325)
Interest	-	-	3,321	(3,321)
Total expenditures	<u>2,115,916</u>	<u>1,675,916</u>	<u>1,672,507</u>	<u>3,409</u>
Excess (deficiency) of revenues over expenditures	(395,116)	(150,116)	(119,905)	30,211
Other financing sources (uses)				
Operating transfers in	<u>300,000</u>	<u>2,000</u>	<u>-</u>	<u>(2,000)</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(95,116)	(148,116)	(119,905)	28,211
Fund balance at beginning of year	<u>2,419,286</u>	<u>2,419,286</u>	<u>2,419,286</u>	<u>-</u>
Fund balance at end of year	<u>\$ 2,324,170</u>	<u>\$ 2,271,170</u>	<u>\$ 2,299,381</u>	<u>\$ 28,211</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
SALES TAX 1996

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Year Ended May 31, 2012

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 351,000	\$ 351,000	\$ 379,733	\$ 28,733
Interest income	<u>1,000</u>	<u>1,000</u>	<u>1,972</u>	<u>972</u>
Total revenues	<u>352,000</u>	<u>352,000</u>	<u>381,705</u>	<u>29,705</u>
Expenditures				
Current				
Paving/streets	<u>432,650</u>	<u>432,650</u>	<u>182,962</u>	<u>249,688</u>
Excess (deficiency) of revenues over expenditures	<u>(80,650)</u>	<u>(80,650)</u>	<u>198,743</u>	<u>279,393</u>
Other financing sources (uses)				
Operating transfers in	<u>-</u>	<u>-</u>	<u>541,954</u>	<u>541,954</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(80,650)</u>	<u>(80,650)</u>	<u>740,697</u>	<u>821,347</u>
Fund balance at beginning of year	<u>339,070</u>	<u>339,070</u>	<u>339,070</u>	<u>-</u>
Fund balance at end of year	<u>\$ 258,420</u>	<u>\$ 258,420</u>	<u>\$ 1,079,767</u>	<u>\$ 821,347</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF NET ASSETS
May 31, 2012

ASSETS

Cash and cash equivalents	\$ 119,888
Investments	44,414
Receivables	
Accounts	364,644
Estimated uncollectibles and allowances	(82,201)
Unbilled accounts	81,100
Accrued interest	2,284
Inventory	181,303
Prepaid expenses	2,409
Other current assets	637
Due from other funds	(1,685,478)
Restricted assets	
Cash and cash equivalents	207,886
Investments	419,078
Capital assets.	
Land, improvements and construction in progress	226,519
Buildings, furniture and equipment, net of depreciation	<u>6,206,743</u>
Total assets	<u>\$ 6,089,226</u>

LIABILITIES

Accounts payable	\$ 321,994
Accrued liabilities	27,098
Noncurrent liabilities	
Current portion of long-term debt	186,000
Due in more than one year	700,000
Payable from restricted assets	<u>65,410</u>
Total liabilities	<u>\$ 1,300,502</u>

NET ASSETS

Investment in capital assets, net of related debt	\$ 5,547,262
Unrestricted	<u>(758,538)</u>
Total net assets	<u>\$ 4,788,724</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
Year Ended May 31, 2012

Operating revenues:	
Charges for services	\$ 3,540,838
Tap fees	2,250
Miscellaneous	<u>27,933</u>
Total operating revenues	<u>3,571,021</u>
Operating expenses:	
Public utility	3,329,604
Depreciation	<u>228,628</u>
Total operating expenses	<u>3,558,232</u>
Operating income	<u>12,789</u>
Nonoperating revenues (expenses)	
Interest income	5,196
Interest expense	(25,056)
Grant proceeds	<u>22,308</u>
Total nonoperating revenues (expenses)	<u>2,448</u>
Income before operating transfers	15,237
Operating transfers	<u>-</u>
Change in net assets	15,237
Net assets at beginning of year	<u>4,773,487</u>
Net assets at end of year	<u>\$ 4,788,724</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA
 PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS
 Year Ended May 31, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income	\$ 12,789
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	228,628
Loss on sale of asset	418
Changes in assets and liabilities:	
Decrease in investments	44,241
(Increase) in receivables and accruals	(12,676)
(Increase) in inventories	(30,680)
Increase in accounts payable and accruals	117,121
Increase in liabilities payable from restricted assets	2,900
Net cash provided by operating activities	<u>362,741</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Decrease in amounts due to other funds	<u>(57,898)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of fixed assets	(238,989)
Principal paid on bonds	(180,000)
Interest paid on bonds and capital lease obligations	<u>(25,056)</u>
Net cash (used in) capital and related financing activities	<u>(444,045)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Grant income	22,308
Interest income	<u>5,196</u>
Net cash provided by investing activities	<u>27,504</u>
Net (decrease) in cash and cash equivalents	(111,698)
Cash and cash equivalents	
Beginning of year	<u>439,472</u>
End of year	<u>\$ 327,774</u>
Cash and cash equivalents at end of year consisted of:	
Restricted cash	\$ 207,886
Unrestricted cash	<u>119,888</u>
	<u>\$ 327,774</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

NOTES TO BASIC FINANCIAL STATEMENTS

May 31, 2012

Note 1 Summary of Significant Accounting Policies

The Town of Welsh, Louisiana was incorporated September 4, 1951, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Welsh, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Welsh has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB statements and interpretations, Accounting Principles Board (APB) opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Welsh, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a

voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government

B. Change in Accounting Principles

The Town of Welsh, Louisiana adopted the provisions of GASB Statement 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement 34) and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions* (Statement 33) for the year ended May 31, 2006. Statement 34 establishes financial reporting standards for all state and local governments and related entities. Statement 34 primarily relates to presentation and disclosure requirements. This had an impact on capital assets, the presentation of net assets and the inclusion of management's discussion and analysis. Concurrent with the implementation of Statement 34, the following additional standards have been adopted. GASB Statement 37, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*. This Statement amends Statement 34 to either (1) clarify certain provisions or (2) modify other provisions that the GASB believes may have unintended consequences in some circumstances. GASB Statement 38, *Certain Financial Statement Note Disclosures*. This Statement modifies, establishes and rescinds certain financial statement disclosure requirements.

C. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Assets and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - These funds account for all financial resources segregated for the acquisition or construction of major general government capital projects.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet and fund equity consists of contributed capital and retained earnings. The operating statements for the proprietary fund present increases or decreases in net total assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the Town Clerk submits to the Mayor and Town Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Town Hall to obtain comments from the public.
3. Prior to May 31, the budget is legally enacted through passage of an ordinance.
4. Amendments to the budget are approved by the Town Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue and Debt Service Funds. The capital budget ordinances which encompass the Capital Project Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
6. Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Expenditures cannot legally exceed appropriations on a fund level.
7. The Town does not utilize encumbrance accounting.
8. Budget appropriations lapse at year end.

F. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost.

Louisiana State Statutes, as stipulated in R S 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

G. Estimated Uncollectibles and Contractual Allowances

Uncollectible amounts due from customers' utility receivables, are recognized as bad debts and contractual allowances expense through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

H. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

I. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

J Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at May 31, 2012 and is not reflected in these financial statements

K Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

L Inventories

Inventories held by the Enterprise Funds are priced at the lower of cost (first-in, first-out) or market.

M Revenue Recognition - Property Taxes

Property taxes are levied on June 1, billed on November 1, and payable by December 31

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end

The total millage of 7.6 for the year ended May 31, 2012 was composed of the following.

<u>Description</u>	<u>Millage</u>	<u>Tax Revenue</u>
General property tax	7.6	\$ 89,895

N Compensated Absences

The Town accrued a liability for compensated absences which meet the following criteria:

- 1 The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- 2 The obligation relates to rights that vest or accumulate.
- 3 Payment of the compensation is probable
- 4 The amount can be reasonably estimated.

In accordance with the above criteria the Town has accrued a liability for vacation pay that has been earned but not taken by Town employees. For governmental funds the liability for compensated absences is in the general fund since it is anticipated that the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with FASB Statement 43.

O. Interest Expense

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62 - Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants.

Note 2 Cash, Cash Equivalents and Investments

Custodial credit risk - deposits Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Aldermen, the Town of Welsh maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$1,367,334 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

Investments held at May 31, 2012, consist of \$1,148,465 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Interest rate risk The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of December 31, 2012, the Town's investment in LAMP was rated AAAM by Standard & Poor's.

Concentration of credit risk The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in LAMP

As of May 31, 2012, the Town had the following investments and maturities

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-10	More Than 10
Certificate of deposit	\$ 316,598	\$ 316,598	\$ -	\$ -	\$ -
LAMP	<u>1,148,465</u>	<u>1,148,465</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 1,465,063</u>	<u>\$ 1,465,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3 Individual Fund Transactions

Individual fund interfund receivables and payables are as follows

	Receivables	Payables
General Fund	\$ 1,655,249	\$ 292,003
Sales Tax Fund	75,626	-
Enterprise Fund	2,319,482	4,004,960
Special Revenue - Sales Tax 1996	41,482	-
Debt Service - Sales Tax 1996	242,908	16,682
Drug seizure	-	21,190
LCDBG Grant	88	-
	<u>\$ 4,334,835</u>	<u>\$ 4,334,835</u>

Operating transfers.

	Transfers In	Transfers Out
Special revenue - sales tax 1996		
Debt service - sales tax 1996	\$ 541,954	\$ -
Debt service - sales tax 1996		
Special revenue - sales tax 1996	-	541,954
Grand totals	<u>\$ 541,954</u>	<u>\$ 541,954</u>

Note 4. Dedication of Proceeds and Flow of Funds - 2 0% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2012 collections \$379,733, 2011 \$375,714) are dedicated to the following purposes

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters October, 1993 to expire June, 2019 (2012 collections \$379,733; 2011 \$375,714) are dedicated to the following purposes

A 100% of collections to be used for police and fire department stations and equipment, sidewalks, bridges, recreational facilities, drains and drainage facilities, improving and/or maintaining streets and public buildings, and purchasing and acquiring equipment and furnishing public works

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2012 collections \$379,733, 2011 \$375,714) are dedicated to the following purposes.

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters February, 1996 to expire April, 2026 (2012 collections \$379,733, 2011 \$375,714) are dedicated to the following purposes

A. 100% of collections to be used for constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds.

Note 5. Restricted Assets

Assets were restricted for the following purposes as of May 31, 2012

Public utility	
Customer deposit	\$ 65,410
Sewer and water system construction in progress	71,158
Revenue bond sinking fund, 1988 series	129,687
Revenue bond reserve fund, 1988 series	198,156
Revenue bond sinking fund, 1994 series	60,988
Revenue bond reserve fund, 1994 series	64,590
Water sinking and construction fund, 2003 series	<u>36,975</u>
Total - all proprietary fund types	<u>\$ 626,964</u>
General fund	
Emergency cash reserve	<u>\$ 689,067</u>

Note 6 Changes in Capital Assets

Capital asset activity for the year ended May 31, 2012, was as follows:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 67,599	\$ -	\$ -	\$ 67,599
Construction in progress	-	17,511	-	17,511
	<u>67,599</u>	<u>17,511</u>	<u>-</u>	<u>85,110</u>
Capital assets being depreciated				
Buildings	2,230,475	-	-	2,230,475
Furniture and equipment	749,277	63,180	1,601	810,856
Vehicles	<u>1,226,693</u>	<u>16,400</u>	<u>35,550</u>	<u>1,207,543</u>
Total capital assets being depreciated	<u>4,206,445</u>	<u>79,580</u>	<u>37,151</u>	<u>4,248,874</u>
Less accumulated depreciation for				
Buildings	1,136,477	34,399	-	1,170,876
Furniture and equipment	510,812	46,102	1,600	555,314
Vehicles	<u>831,201</u>	<u>88,943</u>	<u>24,610</u>	<u>895,534</u>
Total accumulated depreciation	<u>2,478,490</u>	<u>169,444</u>	<u>26,210</u>	<u>2,621,724</u>
Government activities capital assets, net	<u>\$ 1,795,554</u>	<u>\$ (72,353)</u>	<u>\$ 10,941</u>	<u>\$ 1,712,260</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 154,019	\$ 72,500	\$ -	\$ 226,519
Capital assets being depreciated				
Plant and equipment-sewer	6,609,737	32,618	-	6,642,355
Plant and equipment-water	2,124,273	3,678	-	2,127,951
Plant and equipment-electric	<u>2,486,311</u>	<u>130,194</u>	<u>56,301</u>	<u>2,560,204</u>
Total capital assets being depreciated	<u>11,220,321</u>	<u>166,490</u>	<u>56,301</u>	<u>11,330,510</u>
Less accumulated depreciation for				
Plant and equipment-sewer	2,046,483	122,587	-	2,169,070
Plant and equipment-water	1,366,494	42,596	-	1,409,090
Plant and equipment-electric	<u>1,538,045</u>	<u>63,445</u>	<u>55,884</u>	<u>1,545,606</u>
Total accumulated depreciation	<u>4,951,022</u>	<u>228,628</u>	<u>55,884</u>	<u>5,123,766</u>
Business-type activities capital assets, net	<u>\$ 6,423,318</u>	<u>\$ 10,362</u>	<u>\$ 417</u>	<u>\$ 6,433,263</u>

Depreciation expense was charged to governmental activities as follows

General government	\$ 36,832
Public safety	74,658
Highway and streets	20,144
Sanitation	29,070
Culture and recreation	<u>8,740</u>
Total depreciation	<u>\$ 169,444</u>

Note 7. Long-Term Debt

The following is a summary of bonds payable of the Town for the year ended May 31, 2012:

	Balance 5-31-11	Additions	Reductions	Balance 5-31-12
Business-type activities				
Revenue bonds	<u>\$ 1,066,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 886,000</u>
Governmental activities				
Revenue bonds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Bonds payable are comprised of the following

Enterprise fund debt:

Refunding bonds-Series 2004, maturing serially and become due November 1 of each year until final retirement November 1, 2014, interest rate ranging from 2.45% to 4 60%	\$ 228,000
DEQ loan dated October 25, 1996 in the original amount of \$1,500,000, 1 95% interest plus 5% fee maturing September 1, 2017 payable annually in amortization payments	540,000
\$225,000 of Certificate of Indebtedness, Series 2003, maturing November 1, 2013, net interest rate of 4.04%, interest payable semi-annually with principal payments made annually	51,000
\$73,000 Certificate of Indebtedness, Series 2011, maturing November 1, 2020, net interest rate of 3 67%, interest payable semi-annually with principal payments made annually	<u>67,000</u>
Total enterprise fund debt	<u>\$ 886,000</u>

General obligation debt.

Capital lease obligation as described in Note 8 \$ 19,475

The annual requirements to amortize all bonded debts outstanding as of May 31, 2012 follow.

Enterprise Fund Bonds

Year Ending May 31,	FMHA Water Revenue Bonds		
	Principal	Interest	Total
2013	\$ 74,000	\$ 8,427	\$ 82,427
2014	77,000	5,217	82,217
2015	77,000	1,771	78,771
	<u>\$ 228,000</u>	<u>\$ 15,415</u>	<u>\$ 243,415</u>

Year Ending May 31,	DEQ Loan		
	Principal	Interest	Total
2013	\$ 80,000	\$ 12,250	\$ 92,250
2014	85,000	10,229	95,229
2015	90,000	8,085	98,085
2016	90,000	5,880	95,880
2017	95,000	3,614	98,614
2018-2020	100,000	1,225	101,225
	<u>\$ 540,000</u>	<u>\$ 41,283</u>	<u>\$ 581,283</u>

Year Ending May 31,	Certificate of Indebtedness-Series 2003		
	Principal	Interest	Total
2013	\$ 25,000	\$ 1,855	\$ 26,855
2014	26,000	630	26,630
	<u>\$ 51,000</u>	<u>\$ 2,485</u>	<u>\$ 53,485</u>

Year Ending May 31,	Certificate of Indebtedness - 2011		
	Principal	Interest	Total
2013	\$ 7,000	\$ 2,034	\$ 9,034
2014	7,000	1,854	8,854
2015	7,000	1,674	8,674
2016	7,000	1,494	8,494
2017	7,000	1,278	8,278
2018-2021	32,000	2,304	34,304
	<u>\$ 67,000</u>	<u>\$ 10,638</u>	<u>\$ 77,638</u>

Note 8 Capital Lease

The present value of capital leases are:

	<u>Capital Leases</u>
	<u>General</u>
	<u>Long-Term</u>
	<u>Debt (1)</u>
2012	\$ 19,819
Less amount representing interest (0.684% to 0.768%)	<u>344</u>
Present value of future minimum lease payments	<u>\$ 19,475</u>

(1) These leases, primarily payable from the General Fund, are reported as an expenditure and other financing source in the year of acquisition

Note 9. Deficit Fund Balance or Retained Earnings

As of May 31, 2012, there were deficits of \$(739) in the Paving Certificate Capital Project Fund.

Note 10 Litigation

The Town has had various claims and lawsuits lodged against it. All are within the normal course of business and have been evaluated by the Town's attorney and management. It is the opinion of legal counsel that these claims are adequately covered by insurance.

Note 11 Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plant for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
	<u>9,879</u>	<u>1.000000</u>

The Commission consists of six commissioners as follows. two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2011 (the latest available audited financial statements) was as follows.

	<u>Total</u>	<u>Welsh (11 8129%)</u>
Total assets	\$ 5,611,018	\$ 662,824
Total liabilities	17,977	2,124
Total net assets	5,593,041	660,700
Total liabilities and net assets	5,611,018	662,824
Total revenues	1,512,346	178,652
Total expenditures	1,513,028	178,732
Net (decrease) in net assets	(682)	(80)

As of December 31, 2011, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "the contractor shall be responsible for closure in accordance with the permit.". Additionally, "the contractor's post-closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law." In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP.

While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

Note 12. Pension Plan

Municipal Employee's Retirement System

Plan description

The Town of Welsh contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be

the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Welsh is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2011.

Funding policy

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Welsh is required to contribute at a statutorily determined rate. The current rate is 8% of annual covered payroll. The contribution requirements of plan members and the Town of Welsh are established and may be amended by the Board of Trustees. The Town of Welsh's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending May 31, 2012, 2011 and 2010 were \$51,069, \$44,322, and \$43,550, respectively, equal to the required contributions for each year.

Municipal Police Employees Retirement System.

Plan description

The Town of Welsh contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees' Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The system is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The system is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement System for the period ended June 30, 2011.

Funding policy.

Plan members are required to contribute 10% of their annual covered salary and the Town of Welsh is required to contribute at a statutorily determined rate. The current rate is 26.5% of annual covered payroll. The contribution requirements of plan members and the Town of Welsh are established and may be amended by the Board of Trustees. The Town of Welsh's contributions to the Municipal Police Employees' Retirement System for the years ending May 31, 2012, 2011, and 2010 were \$13,798, \$21,394, and \$11,551, respectively, equal to the required contributions for each year.

Note 13. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows

Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Town Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Sales Tax 1996	2% sales tax described in Note 4

Note 14. Subsequent Events

After the end of the fiscal year, the Town issued \$262,000 of new Certificates of Indebtedness for the purchase of a new fire truck.

In November, 2012, a new chief of police was elected, as were two new members of the Board of Aldermen

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OTHER SUPPLEMENTARY INFORMATION

- Nonmajor Governmental Funds
 - Combining Balance Sheet
 - Combining Statement of
Revenues, Expenditures, and
Changes in Fund Balances
- Schedule of Compensation to Governing Board
- Schedule of Number of Utility Customers
- Schedule of Insurance Policies in Force

TOWN OF WELSH, LOUISIANA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
May 31, 2012

	Special Revenue	Capital Project		Total Non-major Funds
	Drug Seizure	LCDBG Grant	Paving Certificate	
<u>ASSETS</u>				
Cash	\$ 35,278	\$ 133	\$ -	\$ 35,411
Due from other funds	-	88	-	88
Total assets	<u>\$ 35,278</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 35,499</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Cash overdraft	\$ -	\$ -	\$ 739	\$ 739
Due to other funds	21,190	-	-	21,190
Total liabilities	<u>21,190</u>	<u>-</u>	<u>739</u>	<u>21,929</u>
Fund balance				
Restricted for				
Special revenue	14,088	-	-	14,088
Capital projects	-	221	-	221
Unassigned	-	-	(739)	(739)
Total fund balance	<u>14,088</u>	<u>221</u>	<u>(739)</u>	<u>13,570</u>
Total liabilities and fund balance	<u>\$ 35,278</u>	<u>\$ 221</u>	<u>\$ -</u>	<u>\$ 35,499</u>

TOWN OF WELSH, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
Year Ended May 31, 2012

	Special Revenue	Capital Project		Total Non-major Funds
	Drug Seizure	LCDBG Grant	Paving Certificate	
Revenues.				
Interest	\$ 24	\$ -	\$ 2	\$ 26
Expenditures:				
Public safety	5,567	-	-	5,567
Capital outlay	34,280	-	-	34,280
Total expenditures	39,847	-	-	39,847
Excess (deficiency) of revenues over expenditures	(39,823)	-	2	(39,821)
Fund balance at beginning of year	53,911	221	(741)	53,391
Fund balance at end of year	\$ 14,088	\$ 221	\$ (739)	\$ 13,570

TOWN OF WELSH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO GOVERNING BOARD
Year Ended May 31, 2012

	<u>Salary</u>	<u>Per Diem</u>	<u>Mileage Reimbursement</u>	<u>Total</u>
Mayor:				
Carolyn Louviere	\$ 12,000	\$ 3,400	\$ 1,598	\$ 16,998
Aldermen:				
Allen Ardoin	2,500	600	335	3,435
Becky Hudson	2,500	500	335	3,335
Charles Drake	2,600	600	335	3,535
Gloria Viney	2,600	-	-	2,600
Sherrie Lewis	2,600	500	335	3,435
	<u>\$ 24,800</u>	<u>\$ 5,600</u>	<u>\$ 2,938</u>	<u>\$ 33,338</u>

TOWN OF WELSH, LOUISIANA

PUBLIC UTILITY ENTERPRISE FUND
SCHEDULE OF NUMBER OF UTILITY CUSTOMERS
May 31, 2012

	<u>Metered</u>	<u>Unmetered</u>
Electricity		
Industrial	10	-
Commercial	151	-
Residential	1,571	-
Demand	0	-
Water	1,447	2
Sewer	1,246	-

TOWN OF WELSH, LOUISIANA

SCHEDULE OF INSURANCE POLICIES IN FORCE

May 31, 2012

Insurer	Policy Number	Amount of Policy
Southern Insurance Company	RGP-1000114-00	\$ 1,000,000
Southern Insurance Company	RGP-1000114-00	2,000,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	100,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	100,000
Southern Insurance Company	RGP-1000114-00	500,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	1,000,000
Southern Insurance Company	RGP-1000114-00	5,085,978
Southern Insurance Company	RGP-1000114-00	93,590
Southern Insurance Company	RGP-1000114-00	100,000
Southern Insurance Company	RGP-1000114-00	100,000
Southern Insurance Company	RGP-1000114-00	50,000
Southern Insurance Company	RGP-1000114-00	50,000
Southern Insurance Company	RGP-1000114-00	50,000
Southern Insurance Company	RGP-1000114-00	50,000
Southern Insurance Company	RGP-1000114-00	50,000
Southern Insurance Company	RGP-1000114-00	50,000
Indian Harbor Insurance Company	P0I19516104	1,000,000
Indian Harbor Insurance Company	LEI9517201	1,000,000
National Union Fire Insurance Company	AP 3391651-14	500,000
Special Risk Insurance Company	VFIS-TR-2059141-04/000	2,000,000
Special Risk Insurance Company	VFIS-CM-1055721-04/000	1,000,000
Special Risk Insurance Company	VF-CU-5054569-04/000	2,000,000
Stone Trust	WCV 0084216-00	500,000
Western Surety	15273251N	10,000
Western Surety	24813556N	10,000

<u>Risk Covered</u>	<u>Policy Expiration Date</u>
Bodily injury/property damage per occurrence	10/1/2012
General aggregate	10/1/2012
Products/completed operations	10/1/2012
Personal/advertising injury	10/1/2012
Damage to premises rented by Town	10/1/2012
Employee benefits liability	10/1/2012
Limited pollution	10/1/2012
Abuse or molestation	10/1/2012
Commercial automobile liability	10/1/2012
Earthquake - policy aggregate	10/1/2012
Flood - policy aggregate	10/1/2012
Equipment breakdown	10/1/2012
Contractors equipment	10/1/2012
Accounts receivable	10/1/2012
Valuable papers	10/1/2012
Inside money and securities commercial crime	10/1/2012
Inside robbery	10/1/2012
Outside robbery	10/1/2012
Money orders and counterfeit paper	10/1/2012
Employee theft - per loss	10/1/2012
Faithful performance of duty	10/1/2012
Public officials and employment practices - per wrongful act	10/1/2012
Law enforcement liability	10/1/2012
Commercial general liability aviation policy	1/1/2013
General liability - fire	10/7/2012
Auto liability - each accident - fire	10/7/2012
Commercial umbrella policy declarations	10/7/2012
Worker's compensation	1/6/2013
Public employee blanket bond - ex-officio notary	3/19/2014
Public employee blanket bond - ex-officio notary	9/8/2015

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**REPORT OF INDEPENDENT AUDITORS
ON INTERNAL CONTROL
AND COMPLIANCE**

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Joe G. Peshoff, II, CPA, CVA
David M. DesOrmeaux, CPA

Michael N. McGee, CPA
Paula J. Thompson, CPA
Robin Anderson Conrad, CPA



Judson J. McCann, Jr., CPA, Retired
Martin L. Chehovsky, CPA, CFE, CFP™
Carl W. Comeaux, CPA, Retired

CFE Certified Fraud Examiner
CFP Certified Financial Forecaster
MT Masters of Taxation
CVA Certified Valuation Analyst
CFP Certified Financial Planner

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor
and Board of Alderman
Town of Welsh
Welsh, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana, as of and for the year ended May 31, 2012, which collectively comprise the Town of Welsh, Louisiana's basic financial statements and have issued our report thereon dated November 27, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Town of Welsh, Louisiana, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Welsh's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Welsh, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Welsh, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 12-01 through 12-04 and 12-07 through 12-08

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. 12-05 and 12-06

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Welsh, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 12-3

The Town of Welsh, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Welsh, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the members of the Town of Welsh's management and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Elroy Quirk & Burch

Lake Charles, Louisiana

November 27, 2012

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2012

12-1 Segregation of Duties

Condition	Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control
Criteria	Effective internal control requires adequate segregation of duties among client personnel.
Effect	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures
Response	We concur with this recommendation Management has implemented supervision and review procedures to the extent possible.

12-2 Controls over Financial Reporting

Condition	In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present
Criteria	The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes Guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.
Effect	Material misstatements in financial statements could go undetected

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2012

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

12-3 Failure to Follow the Louisiana Public Bid Law

Condition: Before beginning our audit, the Town notified us that they failed to follow the Louisiana Public Bid Law.

Criteria As part of the Louisiana Public Bid Law, the purchase of materials and supplies between \$10,000 and \$30,000 must be accompanied by three bids

Effect The Town obtained one bid and did not request any other bids outside of the geographic area, which caused the Town to not have the three required bids.

Recommendation: The Town must follow all aspects of the Louisiana Public Bid Law

Response We concur with this recommendation In the future the Town will follow all aspects of the Louisiana Public Bid Law.

12-4 Lack of Documentation of Policies and Procedures

Condition During our audit we noted that there were no written policies and procedures covering the basic operations of the Town's accounting department

Criteria Proper documentation of policies and procedures is instrumental in creating a strong control environment

Effect Without written policies and procedures, there can be confusion and misinterpretation regarding daily functions and responsibilities.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2012
(Continued)

Recommendation We recommend that the unwritten policies and procedures currently in place for the accounting department be written, reviewed, and updated periodically

Response: The Town will write a policies and procedures manual for the accounting department

12-5 Lack of Approval of Timecards

Condition We inspected a sample of timecards as part of our audit and noted that some timecards lacked approval.

Criteria: Good internal controls require approval of all timecards.

Effect. Unapproved timecards raise the question of accuracy of time worked

Recommendation All timecards should be approved

Response. The Town will insure that all timecards are approved in the future.

12-6 Inadequate Documentation of Recreation Department Revenues and Expenditures

Condition. Currently, there is not a form to account for revenues, expenses and inventory maintained by the Parks and Recreation Department

Criteria The Town needs documentation of the monthly accounting activities of the Parks and Recreation Department to create a stronger control environment

Effect. The Parks and Recreation Department is susceptible to control weaknesses without proper supervision by the Town

Recommendation It is recommended that a report be prepared to document inventory purchases, revenues collected and ending inventory levels.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2012

(Continued)

Response Management is in the process of developing a form to account for revenues, expenses and inventory to be reviewed on a monthly basis.

12-7 Deficiencies in the Police Department's Control Environment

Condition: The control environment within the police department appears to be deficient. We were informed of an absence of leadership and communication that has resulted in extremely low morale and open distrust toward other members of the department and the Town's management

Criteria Management's tone is an important element of the internal control process. Management's ability to communicate consistent operational practices and the importance of ethical behavior are necessary components to a strong control environment

Effect. Due to the current deficiencies in the control environment within the Police Department, the Department and the Town are at risk for fraud and abuse. While no specific instances were noted during the audit, the absence of a cohesive management system provides ample opportunity for fraud and/or abuse to occur.

Recommendation: To address the above condition we make the following recommendations.

- 1) Management should strive to improve communication throughout the department.
- 2) Management should implement a policy of employee evaluations that may be done on a quarterly, semi-annual or annual basis that could better facilitate open communication and employer feedback. It would provide a written evaluation of individuals' performances
- 3) Management should evaluate training needs and commit to a training program for officers and dispatchers that are appropriate with the needs of the community

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended May 31, 2012
(Continued)

- 4) Management should solicit feedback from its department to determine how to maximize officer safety and implement programs to address these concerns

Response Management of the Police Department has begun addressing these issues and has stated they would implement the above recommendations

Continued improvement was noted relating to the above matters but additional improvements are still needed

12-8 Inadequate Controls over Custody and Usage of Equipment in Welsh Police Department

Condition· During our audit we noted that no annual physical inventory of equipment had taken place

Criteria. All capital assets should be inventoried on at least an annual basis and any assets purchased for the department should be fully utilized or disposed of as surplus property

Effect: The Department is not making the best use of its resources and items were prone to defalcation due to the absence of an inventory process.

Recommendation: A complete inventory of all of the Town's capital assets should be taken annually as required. Any idle equipment should be put to intended use or sold as surplus property.

Response An inventory is in process but was not complete as of the date of this report.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 2012

11-1 Segregation of Duties

Condition. This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation. To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: This condition still exists, however, the Town has implemented supervision and review procedures as recommended.

11-2 Controls over Financial Reporting

Condition: The Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present

Recommendation. Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status This condition still exists, however, the Town has implemented recommended procedures

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 2012
(Continued)

11-03 Deficiencies in the Police Department's Control Environment

Condition	The control environment within the police department appears to be deficient. Through interviews with 11 of the 14 members (remaining 3 were unavailable for medical reasons) of the Department, we were informed repeatedly of an absence of leadership and communication that has resulted in extremely low morale and open distrust toward other members of the department and the Town's management. Staff members also expressed concerns about officer safety due to inadequate safety supplies and inadequate training.
Recommendation	<p>To address the above condition we make the following recommendations:</p> <ol style="list-style-type: none">5) Management should consider requesting an operational audit or training assistance for the Police Department to address all areas of operation.6) Management should strive to improve communication throughout the department through regular staff meetings.7) Management should implement a policy of employee evaluations that may be done on a quarterly, semi-annual or annual basis that could better facilitate open communication and employer feedback. It would provide a written evaluation of individuals' performances.8) Management should evaluate training needs and commit to a training program for officers and dispatchers that are appropriate with the needs of the community.9) Management should solicit feedback from its department to determine how to maximize officer safety and implement programs to address these concerns.
Current status	Continued improvement was noted relating the above matters but additional improvements are still needed.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
Year Ended May 31, 2012
(Continued)

11-4 Inadequate Controls over Custody and Usage of Equipment in Welsh Police Department

Condition. During our audit we noted that no annual physical inventory of equipment had taken place. We also noted that items located were often sitting idle rather than being used by the department. The most notable example being the department's K-9 unit that was being housed at one of the officers' homes while not being used by the Department.

Recommendation. A complete inventory of all of the Town's capital assets should be taken annually as required. Any idle equipment should be put to intended use or sold as surplus property.

Current status. An inventory is in process but was not complete as of the date of this report.

11-5 Lack of Overtime Approvals and Documentation in Welsh Police Department

Condition: We inspected a sample of timecards as part of our audit and noted two activities that should be remediated. First, the chief of police when reviewing time cards only initials the top of the time card and does not note whether instances of overtime are approved. Secondly, we found a number of items where time was written on the timecard rather than utilizing the department time clock. These instances also had no additional approval or indication of review.

Recommendation: The Town should require individual approval of all overtime. There should also be additional explanations offered for any overtime over a nominal amount. An additional time clock should be purchased, so that all time can be recorded using the time clock.

Current status: Management has made significant improvements in this area. Documentation is improving but this area can still be improved. See current year finding 12-5.

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November 27, 2012

Ms. Suzanne Elliot
Legislative Auditor's Office
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

MAYOR
Carolyn Louviere

Dear Ms. Elliot:

ALDERMEN
Allen Ardoin
Charles Drake
Becky Hudson
Sherrie Lewis
Gloria Viney

Please find the following corrective responses regarding the findings in the Town of Welsh audit for year ending May 31, 2012.

Finding 12-1 Segregation of Duties

Condition:	Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.
Criteria:	Effective internal control requires adequate segregation of duties among client personnel.
Effect:	Without proper segregation of duties, errors within the financial records or fraud could go undetected.
Recommendation:	To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.
Responsive:	We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.
Corrective action taken or to be taken:	Management has taken action to cross train employees to separate certain duties of the office personnel, to create secure computer and account passwords, and to create controls to safeguard for better management.

Finding 12-2 Controls over financial Reporting

Condition:	In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.
-------------------	--

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

Recommendation: In our judgment, due to lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

Corrective Action: Management has created and implemented procedures for safeguards by supervising and reviewing of financial statements.

Finding 12-3 Failure to Follow the Louisiana Public Bid Law

Condition: Before beginning our audit, the Town notified us that they failed to follow the Louisiana Public Bid Law.

Criteria: As part of the Louisiana Public Bid Law, the purchase of materials and supplies between \$10,000 and \$30,000 must be accompanied by three bids.

Effect: The Town obtained one bid and did not request any other bids outside of the geographic area, which caused the Town to not have the three required bids.

Recommendation: The Town must follow all aspects of the Louisiana Public Bid Law.

Response: We concur with this recommendation. In the future the Town will follow all aspects of the Louisiana Public Bid Law.

Corrective Action: Management ensures the Louisiana Public Bid Law will be followed.

Finding 12-4 Lack of Documentation of Policies and Procedures

Condition: During our audit we noted that there were no written policies and procedures covering the basic operations of the Town's accounting department.

Criteria: Proper documentation of policies and procedures is instrumental in creating a strong control environment.

Effect: Without written policies and procedures, there can be confusion and misinterpretation regarding daily functions and responsibilities.

Recommendations: We recommend that the unwritten policies and procedures currently in place for the accounting department be written, reviewed, and updated periodically.

Response: The Town will write a policies and procedures manual for the accounting department.

Corrective Action: The Town is now creating a written policy and procedure manual for the accounting department.

12-5 Lack of Approval of Timecards

Condition: We inspected a sample of timecards as part of our audit and noted that some timecards lacked approval.

Criteria: Good internal controls require approval of all timecards.

Effect: Unapproved timecards raise the question of accuracy of time worked

Recommendation: All timecards should be approved.

Response: The Town will insure that all timecards are approved in the future

Corrective Action: Management has and will continue to ensure all timecards are approved.

12-6 Inadequate Documentation of Recreation Department Revenues and Expenditures

Condition: Currently, there is not a form to account for revenues, expenses and inventory maintained by the Parks and Recreation Department.

Criteria: The Town needs documentation of the monthly accounting activities of the Parks and Recreation Department to create a stronger control environment.

Effect: The Parks and Recreation Department is susceptible to control weaknesses without proper supervision by the Town.

Recommendation: It is recommended that a report be prepared to document inventory purchases, revenues collected and ending inventory levels.

Response: Management is in the process of developing a form to account for revenues, expenses and inventory to be reviewed on a monthly basis.

Corrective Action: Management is working with the Parks and Recreation Director to create forms to account for expenses, inventory, and revenues collected.

12-7 Deficiencies in the Police Department's Control Environment

Condition: The control environment within the police department appears to be deficient. We were informed of an absence of leadership and communication that has resulted in extremely low morale and open distrust toward other members of the department and the Town's management.

Criteria: Management's tone is an important element of the internal control process. Management's ability to communicate consistent operational practices and the importance of ethical behavior are necessary components to a strong control environment.

Effect: Due to the current deficiencies in the control environment within the Police Department, the Department and the Town are at risk for fraud and abuse. While no specific instances were noted during the audit, the absence of a cohesive management system provides ample opportunity for fraud and/or abuse to occur.

Recommendation: To address the above condition we make the following recommendation:

- 1) Management should strive to improve communication throughout the department.
- 2) Management should implement a policy of employee evaluations that may be done on a quarterly, semi-annual or annual basis that could better facilitate open communication and employer feedback. It would provide a written evaluation of individual's performances.
- 3) Management should evaluate training needs and commit to a training program for officers and dispatchers that are appropriate with the needs of the community.
- 4) Management should solicit feedback from its department to determine how to maximize officer safety and implement programs to address these concerns

Response: Management of the Police Department has begun addressing these issues and has stated they would implement the above recommendations. Continued improvement was noted relating to the above matters but additional improvements are still needed.

Corrective Actions: Management of the Police Department continues to address these issues and improvements are being made. A new Police Chief has been elected and will take office January 1, 2013.

12-8 Inadequate Controls over Custody and Usage of Equipment in Welsh Police Department

Condition: During our audit we noted that no annual physical inventory of equipment had taken place.

Criteria: All capital assets should be inventoried on at least an annual basis and any assets purchased for the department should be fully utilized or disposed of as surplus property.

Effect: The Department is not making the best use of its resources and items were prone to defalcation due to the absence of an inventory process.

Recommendation: A complete inventory of all of the Town's capital assets should be taken annually as required. Any idle equipment should be put to intended use or sold as surplus property.

Response: A complete inventory of all of the Town's capital assets should be taken annually as required. Any idle equipment should be put to intended use or sold as surplus property.

Corrective Action: Assets are being inventoried and identified as town property. Surplus equipment will be declared and sold as surplus property.

We believe the above corrective action responses properly address the audit findings. We will continue to diligently address these findings in order to prevent any future findings in these areas.

Should you have any questions, please contact me at 337-734-2231.

Yours very truly,



Carolyn Louviere
Mayor

CL/lsl

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CFE - Certified Fraud Examiner
CFF - Certified Financial Forensics
MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner

PRIOR YEAR MANAGEMENT LETTER FOLLOW-UP TOWN OF WELSH, LOUISIANA

Louisiana Legislative Auditor

The purpose of this letter is to address comments made in the management letter for the year ended May 31, 2011 for the Town of Welsh, Louisiana. The management letter listed sixteen matters for the consideration of management. Management has addressed fourteen of these items, and the two items not addressed are listed as findings in our Schedule of Findings and Questioned Costs for the year ended May 31, 2012. Below is a list of the prior year management letter comments and the results of our evaluation of each of these items.

UTILITY BILLING ADJUSTMENTS

PY Comment:

Currently adjustments are made by the utility clerk and approved after the fact by the town clerk.

It is recommended that a form be developed by Town management to document the purpose of the adjustment. The form should include the account number and the purpose of the adjustment. The form should be prenumbered and all forms should be accounted for on a monthly basis. The form should be prepared by the utility clerk but should be approved by the town clerk prior to entry into the computer system.

CY Status:

This item has been addressed by management.

WORK ORDER ACCOUNTABILITY

PY Comment:

Work orders are currently prepared by various utility clerks. The work orders are assigned a number by the computer software. A utility clerk is assigned to clear completed work orders within the computer system as they are turned in by the maintenance department.

Outstanding work orders are not accounted for on a monthly basis. The computer system has the ability to create an outstanding work order report but this feature is not being used.

It is recommended that an outstanding work order report be created each month and all work orders should be accounted for in a timely manner. Additionally, it is recommended that a report be prepared by the maintenance department to indicate the number of work orders issued each month, number of completed work orders and number of outstanding work orders with the status of each. The report should be submitted to the Mayor or Board of Aldermen on a monthly basis.

CY Status:

This item has been addressed by management.

DISCONNECTION PROCEDURES

PY Comment:

At present, when a citizen requests a disconnect for utility services, only the electric meter is disconnected, but the water service and trash can(s) are still functioning.

It is recommended that when a complete disconnection is requested, all services including water service be disconnected. Additionally, the trash can should be picked up, cleaned and returned to inventory for further assignment.

CY Status:

This item has been addressed by management.

GARBAGE CAN ACCOUNTABILITY AND FEES

PY Comment:

An inventory of garbage cans previously assigned to customers should be conducted as soon as possible

It is recommended that someone from management be assigned to accompany the garbage pickup routes and record the number of cans being picked up on a route by route basis. A form should be developed to list all route addresses and the team member would record the number of cans being picked up by address.

Once the inventory has been completed, the information gathered should be compared to the actual records in the computer system and reconcile any differences. All cans being picked up should be charged the monthly fee or should be picked up and returned to inventory.

CY Status:

This item has been addressed by management

GARBAGE CAN INVENTORY

PY Comment:

An inventory of all garbage cans in stock at the maintenance department should be conducted.

Consideration should be given to assigning a serial number to each can and affixing a Town of Welsh label to all unassigned and assigned cans to improve accountability of garbage cans and their associated fees.

CY Status:

This item has been addressed by management

PARKS AND RECREATION REVENUES AND EXPENSES

PY Comment:

Currently, there is not a form to account for revenues, expenses and inventory maintained by the Parks and Recreation Department concession stands

It is recommended that a report be prepared to document inventory purchases, revenues collected and ending inventory levels. Management should also prepare a gross profit analysis on a timely basis to insure that the current selling prices of items sold is covering all Town costs as well as generating a profit.

CY Status:

This item has not been addressed by management and is included as a finding in the Schedule of Findings and Questioned Costs for the year ended May 31, 2012.

COLLECTION PROCEDURES AND DAILY ACCOUNTABILITY OF FUNDS COLLECTED

PY Comment:

Currently, the Utility Department prepares an end of day report to account for all funds collected by category. However, management needs to enhance the existing end of day procedures to insure that reconciliation is performed for all categories for all deposit components, even though the end of day reports balance on a daily basis, i.e. cash, checks and money orders.

CY Status:

This item has been addressed by management.

BANK STATEMENTS AND RECONCILIATIONS

PY Comment:

Currently, bank statements are initially received by the town clerk for review and then submitted to the assigned person to reconcile. The reconciliations are performed, however, all reconciliations should be reviewed by the town clerk and evidence of the review should be noted on the reconciliation.

CY Status:

This item has been addressed by management.

POLICY AND PROCEDURE MANUAL

PY Comment:

There are limited procedures documenting certain areas within the Accounting and Utility Department. However, it is recommended that detailed procedures be developed for all key areas such as utility billing and collection, fine collection, payroll and work orders. Development of written procedures will provide guidance to existing employees as well as a method to train new employees.

CY Status:

This item has not been addressed by management and is included as a finding in the Schedule of Findings and Questioned Costs for the year ended May 31, 2012.

COMPUTER AND SOFTWARE ISSUES

PY Comment:

Passwords should be closely guarded and changed on a timely basis. Passwords should not be shared. A master password log should be maintained by management and passwords changed should be approved by management. It is important that all employees log off when away from their workstation on more than a limited time period. The computer consultant can assist by having the workstation automatically log off after a certain time period.

Currently, utility personnel can modify the meter readings for any account in the system without an edit report being generated by the software.

It is recommended that a password protected software change be considered in order to require that approval of any meter reading changes be obtained prior to any adjustments being made.

Additionally, there are certain software issues related to the balance amounts per customer accounts versus those reflected on the customer statements. The computer consultant was contacted and they are in process of reviewing these issues as well as additional enhancements requested by Town management.

CY Status:

This item has been addressed by management.

CROSS TRAINING PROCEDURES

PY Comment:

Certain personnel have been cross trained in various areas of the Utility and Accounting Department. It is recommended that all positions have at least one person cross trained as a backup in case of illness or termination.

CY Status:

This item has been addressed by management.

UTILITY BILLING AND ADJUSTMENT PROCEDURES

PY Comment:

As requested, we reviewed selected utility accounts including electric, water, sewer and garbage billing, collection and adjustments. We selected 84 accounts including employees, board members, relatives and friends of employees.

We noted various exceptions relating to garbage fees, utility billings and certain adjustments. We discussed each of the exceptions with various Town employees as well as the town clerk and all exceptions noted were resolved. However, during our review process, we did note various computer software issues that were discussed above that need to be modified as soon as possible to improve the internal control system.

CY Status:

This item has been addressed by management.

JOURNAL ENTRIES

PY Comment:

All journal entries prepared by utility personnel should be reviewed and approved by the town clerk. Journal entries prepared by the town clerk should be approved by the Mayor or designated representative. All journal entries should include appropriate documentation.

CY Status:

This item has been addressed by management.

EVALUATION OF METER READING CONTRACTOR

PY Comment:

At present a new meter reader contractor has been retained by the Town to correct certain issues that occurred with the prior contractor. It is important that a method of monitoring be developed in order to determine that the new contractor is in compliance with the contract provisions and performs its duties as agreed.

CY Status:

This item has been addressed by management

VACATION AND SICK TIME ACCOUNTABILITY

PY Comment:

Currently, sick and vacation time must be approved by department supervisors and a form must be completed as documentation. However, vacation and sick time records are accounted for manually and are not incorporated in the computer software.

Through discussions with the computer consultant, it may be possible to account for sick and vacation time through the payroll system. By modifying the software, vacation and sick pay balances can be reflected on the payroll check stub. This modification would provide employees with the amounts available for use on each pay check.

CY Status:

This item has been addressed by management

MANDATORY VACATION REQUIREMENTS

PY Comment:

The Town should reaffirm its requirement that all Town employees be required to take at least a week of uninterrupted vacation days. Most employees comply with this procedure but all employees should be required to comply.

CY Status:

This item has been addressed by management

Louisiana Legislative Auditor
Page 8

This letter is intended solely for the information and use of the Louisiana Legislative Auditor. It is not intended to be, and should not be used by anyone other than the specified party

Ms Elroy Quirk & Burch

Lake Charles, Louisiana
January 24, 2013

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AGREED UPON PROCEDURES REPORT TOWN OF WELSH, LOUISIANA

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Town of Welsh and
Louisiana Auditor,
State of Louisiana

We have performed the procedures included in the *Louisiana Government Audit Guide* and enumerated below as they are a required part of the audit engagement. We are required to perform each procedure and report the results, including any exceptions. Management is required to provide a corrective action plan that addresses all exceptions noted. For any procedures that do not apply, we have marked "not applicable."

Management of the Town of Welsh is responsible for its financial records, establishing internal controls over financial reporting, and compliance with applicable laws and regulations. These procedures were agreed to by management of the Town of Welsh and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Town of Welsh's compliance with certain laws and regulations during the year ended May 31, 2012 included in the *Louisiana Compliance Questionnaire*.

This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Management

- 1 Determine if management (chief executive and board members) was presented with timely and accurate monthly financial statements, including budget-to-actual comparisons on funds (General Fund, Special Revenue Fund, Utility Fund, etc) of the entity, during the year under examination

Response: A financial statement package is presented to the Board of Aldermen ("Board") on a monthly basis. Financial statements are presented for each fund and include budget-to-actual comparisons. The package is delivered at each monthly meeting for the prior month.

- 2 If management was deficit spending during the period under examination, determine if there is a formal/written plan to eliminate the deficit spending and whether management is monitoring the plan

Response: During the year under examination, the Town of Welsh budgeted to have deficit spending in the following funds: General Fund, Drug Seizure Fund, Public Improvement Sales Tax Bond Fund, and the Public Utility Fund. The Town does not have a plan to eliminate deficit spending.

Recommendation: We recommend that the Town develop a written policy to eliminate deficit spending.

- 3 Determine if there are written policies and procedures for the following financial/business functions of the entity

- a Budgeting, including preparing, adopting, monitoring, and amending the budget

Response: There are no written policies relating to any aspect of the budgeting process, but the Town follows unwritten policies when preparing, adopting, monitoring, and amending the budget, which are described below.

Preparing: When preparing the budget, the Town Clerk first outlines a timeframe for the process. The Town Clerk then meets with the Mayor and each department head to review the budget for each fund. The budgeted figures are based on prior year amounts and expectations for the upcoming year. After a budget is developed, the Town Clerk then reviews the budget with the Mayor and the department heads to identify any changes that should be made.

Adopting: When adopting the budget, the Town ordinance requires the Board to set a public hearing date for presentation of the proposed budget. The date of the public hearing is published in the newspaper. The Board votes on adoption of the budget after listening to all comments and concerns from the public.

Monitoring: The Town Clerk meets with each department head, the Police Chief, and the Mayor each month to discuss the budgeted and actual revenues and expenditures for the month and year-to-date. These figures are also presented to the Board at Board of Aldermen meetings.

Amending: Amendments are made for significant changes or when a particular department goes over their budgeted amounts. Any proposed amendments are first discussed with the Mayor. A timeline is then set for the process. The proposed amendments are presented at a Board of Aldermen meeting, and then a public hearing date is set and published in the newspaper. After the public hearing, the Board of Aldermen votes on the adoption of the amendments.

Recommendation: We recommend that the Town develop a written policy regarding the preparing, adopting, monitoring, and amending of the budget.

- b Purchasing, including (1) how purchases are initiated, (2) how vendors are added to the vendor list, (3) the preparation and approval process of purchase requisitions and purchase orders, (4) checks and balances to ensure compliance with the public bid law, and (5) documentation required to be maintained for all bids and price quotes.

Response: There are no written policies relating to purchasing, but the Town follows unwritten policies, which are described below.

Initiating Purchases: Purchases are to be approved by department heads before the purchase is made to verify need of purchase and to verify purchase is allowed within the budget. Department heads are to check with the Town Clerk to make sure adequate funds are available for the purchase as well if the purchase requires a bid process.

Vendors: Vendors are added to the vendor list by the Accounts Payable Clerk after approval by the Town Clerk or Mayor.

Preparation and Approval Process: Quotes are obtained as needed according to state bid law. Information on purchases made through the bidding process is kept on file at City Hall (advertising, specs, bids received).

Purchase orders are to be issued to the vendor describing the type of purchase, quantity, cost, and the department the purchase is to be charged to. A department head or municipal official is to sign the purchase order. The person making the purchase is to sign the invoice, verifying the items received.

Purchase orders and signed invoices are turned into City Hall. The Accounts Payable Clerk is to match the purchase order with the invoice and attaches them together. Each invoice is to be stamped with a specially created rubber stamp for the invoice to be processed for payment. The Accounts Payable Clerk then writes information on the stamped invoice such as date of invoice, due date, invoice number, and amount of invoice. Either the Accounts Payable Clerk or the department head are to write a general ledger expense account number on the invoice. Each department head reviews and approves each invoice by signing it. After each department head has processed each invoice, the Town Clerk will review and approve the invoices by signing and dating the invoice. After final review from the Town Clerk, the Accounts Payable Clerk is to then enter the invoices into the computer system for payment.

Accounts payable checks are printed and check stubs are attached to the invoices. Checks and invoices are given to the Town Clerk. The Town Clerk compares the accounts payable checks against invoices before checks are signed and mailed.

Invoices are given back to Accounts Payable Clerk for proper filing in City Hall.

Bid Law Compliance: Department Heads are to review plans and budget for large purchases with the Mayor and Town Clerk, and sometimes the Board of Aldermen before the purchase is made. If there is a question about the purchase complying with bid law, advice is obtained from City Attorney, Attorney General's office, or the auditor. Written quotes are required by management for large purchases, even if bid law does not require them. Management retains all documentation for bids such as advertisements, specifications and bid sheets.

Maintaining Documentation: Information on purchases made through the bidding process is kept on file at City Hall.

Recommendation: We recommend that the Town develop a written policy regarding how purchases are initiated, how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, checks and balances to ensure compliance with the public bid law, and documentation required to be maintained for all bids and price quotes.

c Disbursements, including processing, reviewing, and approving

Response: There are no written policies relating to processing, reviewing, and approving disbursements, but the Town follows unwritten policies, which are described below.

Reviewing: All disbursements are made from City Hall under the Town Clerk's supervision. Checks are to be signed by two individuals, either the Mayor, Mayor Pro Tempore, or the Town Clerk.

All supplies of blank checks are maintained in a secured area in City Hall.

Processing: All disbursements are made from approved invoices with supporting documentation such as purchase orders. Supporting documentation is attached to check duplicates, or written on the invoice (the date of payment, check number, checking account name, and amount of payment). Supporting documentation is kept on file at City Hall.

Approving: Department heads approve each invoice and the Town Clerk gives the final approval for payment. The approvals are documented by initials or signatures on the invoice.

Recommendation: We recommend that the Town develop a written policy regarding the processing, reviewing, and approving of disbursements.

d Receipts, including receiving, recording, and preparing deposits

Response: There are no written policies relating to receipts, but the Town follows unwritten policies relating to receiving, recording, and preparing deposits, which are described below

Receiving: Online receipts for utility bills and police fines are automatically deposited into an account separate from general bank accounts. The Town Clerk prints out a daily transaction report and matches the report to the amount deposited. Information relating to deposits for traffic fines is matched against fines paid to the correct tickets. All deposit information (for utility bills and traffic fines) is then posted. Any deposits made in-person or in the drive-through box are processed by the employee working the window. Any payments received in the mail are opened by the Town Clerk and then distributed to the proper person for deposit.

Recording: All receipts (whether electronic or in person) are ultimately processed and posted to the general ledger.

Preparing Deposits: Deposits are made daily. At the end of each day, the drawers are counted by the employees who worked them. They close out the daily batch and use the report to balance to the count in their drawer. When the receipts are posted, the deposit slips are reconciled to the report totals to make sure that all of the money received was deposited.

Recommendation: We recommend that the Town develop a written policy regarding the receiving, recording, and preparing of deposits.

Credit Cards

- 1 Obtain from management a listing of all active credit cards (and bank debit cards if applicable) for the period under examination, including the card numbers and the names of the persons who maintained possession of the cards.

[Note: There are three types of credit cards: (1) general (e.g., VISA, MasterCard, etc.), (2) store (e.g., Wal-Mart, Office Depot, Sam's Club, etc.), and (3) gasoline (e.g., Fuelman, Exxon, etc.).]

Response: We obtained a listing of all active credit cards maintained by the Town, including the name of the card, card number, expiration date, and the location of the card.

- 2 Obtain and review the entity's written policies and procedures for credit cards (and debit cards if applicable) and determine if the following is addressed

- How cards are to be controlled
- Allowable business users
- Documentation requirements
- Required approvers
- Monitoring card usage

Response: The Town has no written policies relating to credit cards, but the Town follows unwritten policies regarding how cards are to be controlled, allowable business users, documentation requirements, required approvers, and monitoring card usage, which are described below

How cards are to be controlled: Cards are kept either by the person they are issued to or in the vault. The Police Chief and Town Clerk have possession of their respective cards, while the remaining credit cards remain in the vault. Any person requesting a credit card from the vault must sign a log sheet and be approved by Town Clerk before retrieving the card from the vault for use.

Allowable business uses: The Town Clerk discusses with all employees that the cards are strictly for business purposes only. If a card is taken from the vault for a purchase, the Town Clerk is always informed of what the employee is planning to charge on the card. Employees are asked to be reasonable when taking a credit card on a trip to charge meals, hotels, etc.

Documentation Requirements: All employees are required to present receipts for all purchases with town credit cards. The Town Clerk matches receipts to charges on the monthly statements. Any charge not approved or that has no receipt is the responsibility of the employee that used the card.

Required approvers: The department heads and the Mayor approve any expenses charged on the Town's credit cards, usually before the charges are made.

Monitoring card usage: The Town Clerk reviews all of the statements monthly. The Town Clerk also periodically checks charges on the cards online to ensure that all charges were expected and nothing out of the ordinary has been charged on the credit cards.

Recommendation: We recommend that the Town develop a written policy for credit cards regarding how cards are to be controlled, allowable business uses, documentation requirements, required approvers, and monitoring card usage.

- 3 Obtain the monthly statements for all credit cards (general, stores and gasoline) used during the period under examination and select for detailed review the two largest (dollar amount) statements for each card. (Note: For a debit card, select the two monthly bank statements with the largest dollar amount of debit charges)

- a Obtain the entity's supporting documentation for the purchases/charges shown on the selected monthly statements

- Determine if each purchase is supported by
 - An original itemized receipt (i.e., identifies precisely what was purchased)
 - Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
 - Other documentation as may be required by policy (e.g., purchase order, authorization, etc.)
- Determine if each purchase is
 - In accordance with thresholds or guidelines established in the policies and procedures
 - For an appropriate and necessary business purpose relative to the entity
- Determine if any purchases were made for personal purposes. If there are purchases made for personal purposes, determine the date(s) of reimbursement
- Determine if any purchases effectively circumvented the entity's normal procurement/purchasing process and/or the Louisiana Public Bid Law (i.e., large or recurring purchases requiring the solicitation of bids or quotes)

Response: We obtained the monthly statements for all credit cards used during the period under examination and selected for detailed review the two largest (dollar amount) statements for each card. We obtained the original itemized receipts and documentation of the business/public purpose. All charges were for appropriate and necessary business purposes. There were no purchases made for personal purposes and no purchases circumvented the normal procurement/purchasing purpose and/or the Louisiana Public Bid Law.

- b Determine if there was any duplication of expenses by comparing all travel and related purchases to the appropriate person's expense reimbursement report(s)

Response: There are no expense reports because all expenses, other than mileage and per diem, are paid with the credit card.

- c Determine if each monthly credit card statement (including supporting documentation) was reviewed and approved, in writing, by someone other than the person making the purchases. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality).]

Response: All statements were reviewed and approved.

- d Determine if finance charges and/or late fees were assessed on the monthly statements

Response: There were no noted late fees.

Travel and Expense Reimbursement

- 1 Obtain and review the entity's written policies and procedures for travel and expense reimbursement and determine if the following is addressed

- a Allowable expenses
- b Dollar thresholds by category
- c Documentation requirements
- d Required approvers

Response: The Town of Welsh has no written policies relating to travel and expense reimbursement but follows unwritten rules regarding allowable expenses, dollar thresholds by category, documentation requirements, and required approvers, which are described below

Allowable expenses: The only expenses allowed are reasonable expenses for business purposes. When traveling, employees are asked to be reasonable when purchasing meals.

Dollar thresholds: No formal dollar thresholds exist for travel or expense reimbursement. Employees are asked to be reasonable with expenses. The Mayor and Board members are given \$100 per diem, plus hotels and mileage for any travel.

Documentation requirements: All requests for reimbursement must be submitted with the receipt for the purchase. Business purposes must be documented on the request for reimbursement.

Required approvers: Any reimbursement request is signed by the employee, approved and signed by the department head, and ultimately approved by the Mayor before the employee is reimbursed.

Recommendation: We recommend that the Town develop a written policy for travel and expense reimbursement regarding allowable expenses, dollar thresholds by category, documentation requirements, and required approvers.

- 2 Obtain a listing of all travel and related expense reimbursements during the period under examination and select for review, the one person who was reimbursed the most money
 - a Obtain all of the expense reimbursement reports of the selected person, including the supporting documentation, and select the three largest (dollar) expense reports to review in detail [Note: If there are only three or less expense reports, review all (100%) of them]
 - Determine if each expenditure is

- Reimbursed in accordance with written policy (e g , rates established for meals, mileage, lodging, etc)
- In accordance with thresholds or guidelines established in the policies and procedures
- For an appropriate and necessary business purpose relative to the travel
- Determine if any of the expenditures were for personal purposes (e g , extended hotel stays before or after training class, meals for spouses, entertainment, etc)
- Determine if each expense report (including documentation) was reviewed and approved, in writing, by someone other than the person receiving reimbursement

Response: We selected the person who was reimbursed the most money and viewed the three largest expenditures for that employee. The travel expenditures appeared to have been reimbursed in accordance with the unwritten policy and expenditures were in accordance with thresholds and for an appropriate and necessary business purpose relative to travel.

- b Determine if there was any duplication of expenses by comparing the expense reports to charges/purchases made on credit card(s)

Response: Employees are not reimbursed for actual expenses. They are paid per diem and reimbursed mileage. The reimbursed expenses were not duplicates of credit card charges.

- c Determine if each expenditure is supported by

- An original itemized receipt (i e , identifies precisely what was purchased) [Note: An expense that is reimbursed based on an established per diem amount (e g , meals) generally does not require a receipt.]
- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating)
- Other documentation as may be required by policy (e g , authorization for travel, conference brochure, certificate of attendance, etc)

Response: Employees receive per diem and are only reimbursed for mileage.

Contracts

- 1 Obtain and review the entity's written policies and procedures for contracts/contracting, including leasing, and determine if the following is addressed:
 - Types of services requiring written contracts
 - Standard terms and conditions

- Legal review
- Approval process
- Monitoring process

Response: The Town has no written policies for the types of services requiring written contracts, standard terms and conditions, legal review, approval process, or monitoring process relating to contracts, but the Town follows the following unwritten policies, which are described below

Types of services requiring contracts: The Town enters into contracts for such services as meter reading, financial statement audits, equipment leases, lawn maintenance, and engineering and consulting

Standard terms and conditions: The Town generally enters into contracts for a period of one year. One exception is a contract for a vehicle lease, which may be three or five years. When a standard contract is up after one year, the Town Clerk and Mayor will review the contract to determine if a change should be made or if they should continue service with the same provider.

Legal review: All contracts are reviewed by the Town Attorney, Richard Arceneaux, before they are signed.

Approval process: The Mayor has the final approval for small, routine contracts. The Board of Aldermen will approve larger contracts.

Monitoring process: The Town Clerk monitors contracts and monitors the level of satisfaction with the service provider. Contracts are also reviewed when they come up for renewal, usually on a yearly basis.

Recommendation: We recommend that the Town develop a written policy for contracts and leasing which includes the types of services requiring written contracts, standard terms and conditions, legal review, approval process and monitoring process.

2. Determine if the entity has centralized control and oversight of contracts to ensure that services/deliverables received and payments made comply with the terms and conditions of the contracts.

Response: Each department head supervises contracts that are expenditures under their respective budget. They agree the amount invoiced by provider to amounts agreed to within the contract. They also have responsibility for overseeing the contract and determining whether the service is being provided at a satisfactory level.

3. Obtain and review the accounting records (e.g., general ledgers, accounts payable vendor history reports, invoices, etc.) for the period under examination to identify individuals/businesses being paid for contracted services (e.g., professional, technical, etc.). Select the five "vendors" that were paid the most money during the period and for each.

- Determine if there is a formal/written contract that supports the services arrangement and the total amount paid
- Determine the business legitimacy of the vendor if not known by the auditor (e g , look up the vendor on the LA Secretary of State's website)

Response: We selected the five highest paid vendors under contract and determined if the Town retains a copy of the written contract that supports the service agreement. The Town retains a copy of the tested contracts and the contracts appear reasonable.

- 4 Obtain a listing of all active contracts and the expenditures made during the period under examination. Select for detailed review, the largest (dollar amount) contract in each of the following categories that was entered into during the period

(1) Services

(2) Materials and supplies

(3) Public works

- a Obtain the selected contracts and the related paid invoices and

- Determine if the contract is a related party transaction
- Determine if the transaction is subject to the Louisiana Public Bid Law
 - If yes, determine if the entity complied with all requirements (e g , solicited quotes or bids, advertisement, selected lowest bidder, etc)
 - If no, determine if the entity provided an open and competitive atmosphere (a good business practice) for the transaction/work
- Determine if the contract was awarded under the *request for proposals* (RFP) method. If done so, obtain all proposals and the evaluation/scoring documents to determine if the contract was awarded to the most responsible offeror whose proposal was the most advantageous taking into consideration price and other evaluation factors set forth in the *request for proposals*
- Determine if the procurement was made "off" state contract (as opposed to following the competitive bidding requirements of the Louisiana Public Bid Law). If done so, determine if the board formally adopted the use of the Louisiana Procurement Code (R S 39 1551-1755), the set of laws that govern most state agencies' purchases of certain services, materials and supplies, and major repairs
- Determine if the procurement related to homeland security and was made from federal General Services Administration (GSA) supply schedules. If done so, determine if the entity (1) utilized a Louisiana licensed distributor; (2) used the competitive ordering procedures of the federal GSA, and (3) received prior approval from the director of the State Office of Homeland Security and Emergency Preparedness, or his designee

- Determine if the entity "piggybacked" onto another agency's contract. If done so, determine if there is documentation on file that clearly demonstrates the contract was a previously bid, viable contract and the price paid by the entity was the same as that contract's bid price.
- Determine if the invoices received and payments made during the period complied with the terms and conditions of the contract.
- Determine if there is written evidence that the entity's legal advisor reviewed the contract and advised entering into the contract.
- Determine if there is documentation of board approval, if required.
- Determine if the contract was amended. If done so, determine whether the original contract contemplated or provided for such an amendment. Furthermore, determine if the amendment is outside the scope of the original contract, and if so, whether it should have been separately bid and contracted.

Response: We obtained a listing of contract by type (services, materials, and public works) and selected the largest (dollar amount) contract in each category. We then determined the following for each selected contract: was it a related party, was it subject to the Louisiana Bid Law, was the contract awarded under the RFP Method, was the procurement made "off" state contract, was the procurement related to homeland security, did the entity piggyback on another agency's contract, was the contract amended, did invoices received and payment made comply with terms of the contract, is there any evidence the entity's legal advisor reviewed the contract, and is there documentation of board approval.

No contracts tested were related party transactions, subject to Louisiana Bid Law, awarded under the RFP Method, made "off" state contract, related to homeland security, piggyback on another agency's contract, or amended. The invoices received and payments made complied with terms of the contract. Although most contracts were not obtained through a formal bid process and were not reviewed by the Town attorney, the Town did not appear to have entered into any contracts that seem unreasonable. Of the three selected contracts, only one had documentation of Board approval.

Recommendation:

We recommend that all contracts should be reviewed by the Town Attorney and certain documentation of the review.

Payroll and Personnel

- 1 Obtain and review the entity's written policies and procedures for payroll and personnel and determine if they address the processing of payroll, including reviewing and approving of time and attendance records, including leave and overtime worked.

Response: The Town has no written policies relating to payroll but the Town follows unwritten policies, which are described below

Time cards are filled out by employees and signed by the employee and their supervisor. Any overtime worked or vacation time is approved by the supervisor in advance. The supervisor also approves any vacation time used on the time card to make up for hours not worked. If the employee attempts to use vacation time but does not have any vacation time remaining, they only get paid for the hours worked (all but three Town employees are paid hourly). The time is entered into the general ledger from and the payroll is processed. The Town Clerk approves payroll before it is submitted.

Recommendation: We recommend that the Town develop a written policy regarding the processing of payroll, reviewing and approving of time and attendance records, and leave and overtime worked.

- 2 Obtain a listing of employment contracts/agreements in force during the period under examination. Select the largest (dollar amount) employment contract and determine if all payments issued during the period under examination were done in strict accordance with the terms and conditions of the contract.

Response: The Town contracts with one employee. All payments to the contracted employee appeared to be in accordance with the employment contract.

- 3 Select the attendance and leave records for one pay period and

- Determine if all employees are documenting their daily attendance and leave (e.g., vacation, sick, etc.) (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
- Determine if supervisors are approving, in writing, the attendance and leave of all employees.
- Determine if the entity is maintaining accurate written leave records (e.g., hours earned, hours used, and balance available) on all eligible employees.

Response: We obtained timecards for one pay period and checked that attendance was documented, that timecards and vacations were approved by a supervisor, and that the timecard agreed to the payroll summary. Some timecards were not approved by a supervisor. Two employees did not clock in and one employee did not turn in a timecard. The Town maintains leave records and the Town also prepares a schedule of accrued leave at year end of the audit.

Recommendation: We recommend that all employees check in and turn in their time cards with supervisor approval.

- 4 Select the five highest paid employees and determine if changes made to their hourly pay rates/salaries during the period under examination were approved in writing and in accordance with policy

Response: We selected the five highest paid employees and determined if changes made to their hourly pay rates/salaries were approved in writing and accordance with policy. All pay rates appear to have been properly approved in writing and in accordance with unwritten policy.

Recommendation: We recommend that the Town develop a written policy regarding hourly pay rates/salaries approval.

- 5 Select the five largest termination payments (e.g., vacation, sick, compensatory time, etc.) made during the period under examination. Determine if the payments were supported by documentation, made in strict accordance with policy and/or contract, and properly approved.

Response: We selected the five largest termination payments and determined if they are supported by documentation and properly approved. Termination payments are supported by documentation and appear properly approved.

- 6 Determine if any employees were also being paid as contract labor during the period of the examination.

Response: Upon review of payroll and accounting records, it appears no Town employees are also being paid as contract labor.

We were not engaged to perform, and did not perform, an audit, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management of the Town of Welsh and the Legislative auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Ms Eloy Quirk & Burch

Lake Charles, Louisiana
November 27, 2012



November 27, 2012

Ms. Suzanne Elliot
Legislative Auditor's Office
State of Louisiana
P. O. Box 94397
Baton Rouge, LA 70804-9397

MAYOR
Carolyn Louviere

Dear Ms. Elliot:

Please find the following corrective action responses regarding the findings in the Town of Welsh Agreed Upon Procedures Report from the audit for year ending May 31, 2012.

ALDERMEN
Allen Ardoin
Charles Drake
Becky Hudson
Sherrie Lewis
Gloria Viney

Financial Management

The Town will take corrective actions on creating and adopting written policies and procedures on the following areas.

- 1) To eliminate deficit spending.
- 2) For the preparation, adopting, monitoring, and amending of the budget.
- 3) For all aspects on the purchasing procedures such as how purchases are initiated, how vendors are added to the vendor list, the preparation and approval process of purchase requisitions and purchase orders, checks and balances to ensure compliance with the public bid law and maintaining the documentation required for all bids and price quotes.
- 4) To process, review, and approve all disbursements.
- 5) To receive, record, and prepare deposit.
- 6) To process, review, and approve disbursements
- 7) To receive, record, and prepare deposits

Credit Cards

The town will take corrective actions on creating and adopting written policies and procedures pertaining to credit cards regarding on how credit cards are to be controlled, allowable business uses, documentation requirements, required approvers, and monitoring card usage.

Travel and Expense Reimbursement

The town will take corrective actions on creating and adopting written policies and procedures for travel and expense reimbursement pertaining to allowable expenses, dollar thresholds by category, documentation requirements, and required approvers.

Contracts

The town will take corrective actions on creating and adopting written policies and procedures regarding contracts and leasing which will include the types of services requiring written contracts, standard terms and conditions legal review, approval process and conditions of the contracts, and documentation of review by the Town Attorney.

Payroll and Personnel

The Town will take corrective actions on creating and adopting written policies and procedures regarding the processing of payroll, reviewing and approving time and

attendance records, and leave and overtime worked. The town will ensure that all employees check in and turn in time cards with supervisor approval. The town will also ensure a written policy will be adopted regarding hourly pay rates and salaries approval.

We believe the above corrective action responses properly address the audit findings in the Agreed Upon Procedures Report for year ending May 31, 2012. Although we did not have written policies on the above areas, we did follow certain procedures. We have begun creating written policies and procedures as recommended by the auditors and will continue to diligently address these findings in order to prevent any future findings in these areas.

The Town's written policies and procedures should be completed and approved by January 31, 2013.

Should you have any questions, please contact me at 337-734-2231.

Yours very truly,

A handwritten signature in cursive script that reads "Carolyn Louviere".

Carolyn Louviere
Mayor

CL/lsl